

# WAINOCO OIL AND CHEMICALS LIMITED

(Incorporated under the laws of Ontario)  
**CONSOLIDATED BALANCE SHEET**

June 30, 1968 and 1967

## ASSETS

	1968	1967
<b>CURRENT ASSETS:</b>		
Cash - - - - -	\$ 63,251	\$ 27,487
Accounts receivable - - -	514,666	934,347
Inventory—at the lower of cost or net realizable value	216,769	216,700
Prepaid expenses and deposits - - - - -	9,107	14,300
Total current assets - - -	803,793	1,192,834
<b>INVESTMENT— at cost: - -</b>		2,390
<b>FIXED ASSETS— at cost:</b>		
Land - - - - -	5,000	5,000
Equipment and buildings less accumulated depre- ciation (1968—\$110,095; 1967—\$80,517) - - - -	187,290	204,050
Petroleum properties - - -	2,750	11,247
	195,040	220,297
<b>OTHER:</b>		
Excess of cost of shares of subsidiaries over book value at acquisition - - -		435,745
	<u>\$ 998,833</u>	<u>\$1,851,266</u>

## LIABILITIES

<b>CURRENT LIABILITIES:</b>		
Bank loan and overdraft - \$	18,090	\$ 10,000
Accounts payable - - -	371,756	845,391
Income taxes payable - -	1,698	15,954
Long term debt due within one year - - - - -	54,814	19,271
Total current liabilities - - - - -	446,358	890,616
<b>LONG TERM DEBT:</b>		
4½% chattel mortgage on equipment payable in monthly installments of \$2,181 including interest	62,425	81,296
6% agreement payable— due in two equal annual installments commencing February 1969 - - - -	66,000	
	128,425	81,296
Less amounts included in current liabilities - - -	54,814	19,271
	73,611	62,025
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock		
Authorized 3,000,000 com- mon shares of a par value of \$1.00 each		
Issued 1,249,435 shares -	1,249,435	1,249,435
Contributed surplus - - -	1,723,060	1,723,060
Deficit - - - - -	(2,493,631)	(2,073,870)
	478,864	898,625
	<u>\$ 998,833</u>	<u>\$1,851,266</u>

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# WAINOCO OIL AND CHEMICALS LIMITED

## INTERIM REPORT TO THE SHAREHOLDERS

FOR THE SIX MONTHS ENDING JUNE 30th

1968

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By Order

## TO THE SHAREHOLDERS

The new management of Wainoco is pleased to report that gross revenue of the Company for the first half of 1968 increased by 39% to \$1,722,715 from \$1,239,209 in the same period last year. Net income for the first six months was \$49,488 as compared with \$40,116 for the same period in 1967, an increase of 23%.

The increased revenue was a reflection of greater sales volume from the Travis Chemicals Division and Travchem Limited, an 80% owned subsidiary. Prospects for continuation of higher sales for the balance of the year are encouraging.

### NEW PROJECTS

It was stated at the last annual meeting that the Board of Directors was seeking growth through acquisitions and mergers in the chemical and natural resource industries. Two projects have been undertaken to advance these aims.

On August 19, 1968, Wainoco signed an agreement wherein it agreed to exchange 410,000 of its Treasury shares for all of the outstanding shares of J. B. Ashmun, Inc. This latter company is an independent oil and gas firm owning leasehold interests and production in Western Canada, West Texas and South-eastern New Mexico. Its principal assets include over 100,000 acres of oil and gas rights in Canada and the United States. The acquisition of the Ashmun firm will provide the Company with a highly trained staff experienced in oil and gas exploration and production. It is the feeling of the Company's directors that this move will considerably strengthen Wainoco's position in the petroleum field through ownership of oil and gas reserves, selected acreage for prospective drilling, and competent personnel to further this work.

Mr. J. B. Ashmun, president of the Company, is the president and controlling stockholder of J. B. Ashmun, Inc., and therefore did not vote at the director's meetings at which this agreement was approved. Filing statements disclosing, amongst other things, the agreement with Mr. Ashmun were submitted to and accepted by the Toronto and Canadian Stock Exchanges subject to ratification by the Company's shareholders. Concurrently, with the mailing of this report, the Company is mailing a notice of a Special General Meeting to all its shareholders at which this agreement will be submitted for their approval. If the agreement is approved and provided an acceptable tax ruling is obtained from the U.S. Internal Revenue Service, it is the Company's intention to commence active exploration of the Canadian properties of J. B. Ashmun, Inc. prior to the end of this year.

On September 6, 1968, the Company signed an agreement in principal with Molsberry Chemical Spray Co. Ltd. for the purchase of that company's vegetation control business. Molsberry, a private company operating out of Edmonton, provides services for clients in Alberta and British Columbia. Gross sales for fiscal 1967 were \$582,228. It owns specialized equipment and has a trained staff for soil sterilization, weed and brush control, tree trimming and utility pole painting. The acquisition of Molsberry complements our present position in this specialty chemical service and sales business.

Growth through expansion of sales in the Chemical Division and development of an active oil and gas program will be greatly aided by the addition of these businesses. It is the intention of the Board to continue enlargement along these lines of endeavor.

Respectfully submitted on behalf of the Board of Directors,

J. B. Ashmun  
President

September 10, 1968

## WAINOCO OIL AND CHEMICALS LIMITED

### CONSOLIDATED STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 1968 AND 1967

	1968	1967
Revenue:		
Sales - - - - -	\$1,681,608	\$1,220,776
Other income - - - - -	41,107	18,433
	<u>1,722,715</u>	<u>1,239,209</u>
Expenses:		
Cost of sales - - - - -	1,486,039	1,021,282
Selling - - - - -	90,795	102,293
General and administrative	75,439	51,232
	<u>1,652,273</u>	<u>1,174,807</u>
Operating income for the period - - - - -	70,442	64,402
Loss on disposal of fixed assets - - - - -	17,368	23,765
Income before minority interest - - - - -	53,074	40,637
Interest of minority shareholders in net income of subsidiary - - - - -	3,586	521
Net income for the period* -	<u>\$ 49,488</u>	<u>\$ 40,116</u>

\* - No income taxes are payable on the profit for the six months ended June 30, 1968 because of the carry forward for tax purposes of losses from previous years. Income taxes of \$22,116 charged in the six months ended June 30, 1967 have been eliminated because no income taxes were ultimately paid by the companies during the 1967 year.

## WAINOCO OIL AND CHEMICALS LIMITED

### CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE SIX MONTHS ENDED JUNE 30, 1968 AND 1967

	1968	1967
Source of funds:		
Operations		
Net income for the period - -	\$49,488	\$ 40,116
Add items not requiring an outlay of funds:		
Depreciation - - - - -	17,277	17,420
Loss on disposal of fixed assets - - - - -	17,368	23,765
	<u>\$84,133</u>	<u>\$ 81,301</u>
Note receivable - - - - -		43,732
Proceeds of disposal of fixed assets - - - - -	7,812	243,844
	<u>\$91,945</u>	<u>\$368,877</u>
Application of funds:		
Purchase of fixed assets - - -	\$24,228	\$ 9,478
Repayment of long term debt -	42,517	10,650
	<u>66,745</u>	<u>20,128</u>
Increase in working capital - -	25,200	348,749
	<u>\$91,945</u>	<u>\$368,877</u>



## WAINOCO OIL AND CHEMICALS LIMITED

312 Fourth Avenue S.W.

CALGARY 1, ALBERTA

## NOTICE OF SPECIAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a Special General Meeting of the Shareholders of Wainoco Oil and Chemicals Limited (hereinafter called the "Company") will be held in the Alberta Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario, Canada, on Friday, the 11th day of October, 1968, at the hour of 10:00 o'clock in the forenoon (Toronto Time) for the following purposes:

1. To consider and, if thought advisable, to pass a Resolution approving the Agreement dated August 19, 1968, between the Company and Mr. John B. Ashmun (a copy of which Agreement, without schedules, is enclosed with the material accompanying this Notice) providing for the sale by Mr. Ashmun to the Company of all of the issued and outstanding shares in the capital stock of J. B. Ashmun, Inc. for a consideration of four hundred and ten thousand (410,000) shares in the capital stock of the Company;
2. To consider and, if approved, to confirm, subject to such amendments and/or additions and/or changes, if any, as may be approved at the meeting, By-Law No. 21, a copy of which is enclosed with the material accompanying this Notice;
3. To transact such further and other business as may properly come before the meeting or any adjournment or adjournments thereof.

AND NOTICE IS HEREBY FURTHER GIVEN that Mr. John B. Ashmun, the President of the Company, hereby declares his interest in the purchase of all the issued and outstanding shares of J. B. Ashmun, Inc. by the Company, it being hereby declared that Mr. John B. Ashmun is presently the owner of all the issued and outstanding shares of J. B. Ashmun, Inc.

Enclosed herewith is an explanatory statement entitled "Information Circular" wherein further particulars of the matters referred to in this Notice are set out, Unaudited Financial and Operating Summary as at July 31, 1968 for J. B. Ashmun, Inc., a copy of the Agreement between the Company and Mr. John B. Ashmun (without schedules), an Instrument of Proxy and a letter to the Shareholders from the Board of Directors of the Company.

Fully executed copies of the Agreement between the Company and Mr. John B. Ashmun may be inspected by the Shareholders at the offices of the Company at Suite 914, 111 Richmond Street West, Toronto 1, Ontario, and at 312 Fourth Avenue S.W., Calgary, Alberta, during normal business hours.

Shareholders who are unable to be present at the meeting are requested to sign and return in the envelope provided for that purpose the enclosed form of Instrument of Proxy for use at the meeting.

DATED at Calgary, Alberta, this 24th day of September, 1968.

By Order of the Board of Directors.

"RONALD L. HANCOCK"

Secretary-Treasurer.



# WAINOCO OIL AND CHEMICALS LIMITED

## INFORMATION CIRCULAR

This information circular is furnished in connection with the solicitation of proxies for use at the Special General Meeting of Shareholders of the Company to be held on Friday, the 11th day of October, 1968, at the hour of 10:00 o'clock in the forenoon, and at any adjournment thereof. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally and by telephone by regular employees of the Company. The cost of solicitation will be borne by the Company.

## VOTING OF PROXIES

The enclosed Proxy is solicited by the Management of the Company.

The shares represented by the form of proxy enclosed herewith will be voted and, where a choice with respect to any matter to be acted upon has been specified in the form of proxy the shares shall, subject to Section 105 of The Securities Act, 1966 (Ontario) be voted in accordance with the specification so made. With respect to matters as to which a choice is not so specified it is intended to vote the shares represented by the form of proxy in favour of each such matter. The form of proxy also confers discretionary authority with respect to amendments or variations to matters identified in the notice of meeting and other matters which may properly come before the meeting.

A shareholder giving a proxy in the form enclosed has the power to revoke it at any time before it is exercised.

A shareholder has the right to appoint a person to represent him at the meeting other than the persons designated in the form of proxy. To exercise this right the shareholder may insert the name of the desired person in the blank space provided in the form of proxy or may submit another form of proxy.

## VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

There are presently issued and outstanding 1,249,435 common shares of the Company, the holders of which on the register of the Company at the time of the meeting are entitled to attend and to vote thereat on the basis of one vote for each such share held.

All Shareholders of record as of the time of the Special General Meeting or any adjournment thereof are entitled either to attend and vote thereat in person the shares held by them or, provided a completed and executed form of proxy shall have been delivered to the Company within the time hereinbefore specified, to attend and vote thereat by proxy the shares held by them.

Palm Enterprises, 800 Elveden House, Calgary, Alberta is the beneficial and recorded owner of 250,532 shares of the Company representing approximately 20% of the issued and outstanding shares of the Company. Palm Enterprises is a partnership owned in four equal parts by the following: T. B. Pickens, Jr., 1501 Taylor Street, Amarillo, Texas, J. B. Ashmun, 800 Elveden House, Calgary, Alberta, Henry D. Lindsley III, 4209 Arcady, Dallas, Texas, and Wales H. Madden, Jr., 700 West 9th, Amarillo, Texas, all Directors of the Company.

## INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Mr. John B. Ashmun, the President and a Director of the Company is presently the owner of all the issued and outstanding shares in the capital stock of J. B. Ashmun, Inc. By an agreement dated August 19, 1968, the Company agreed to purchase from Mr. Ashmun all the issued and outstanding shares of J. B. Ashmun, Inc. for a consideration of 410,000 shares in the capital stock of the Company. This share consideration was determined on the following basis:

- (a) At a meeting of the Directors of the Company on July 24, 1968, it was agreed that the Company exchange 325,000 shares of its capital stock for the Canadian assets of J. B. Ashmun, Inc., such number of shares being determined on the basis of the evaluation of these assets and the market price of said shares on that date.
- (b) At a subsequent meeting on August 19, 1968, the Directors approved acquisition of 100% of the shares of J. B. Ashmun, Inc. for the said 325,000 shares (mentioned in (a) above) plus an additional 85,000 shares for the net American assets of J. B. Ashmun, Inc., such 85,000 shares being determined on the basis of the evaluation of the net American assets and the market value of the Company's shares as of August 16, 1968.



The value of the Canadian assets of J. B. Ashmun, Inc. was determined in accordance with an evaluation thereof prepared by J. C. Sproule and Associates Ltd., oil and gas engineering and geological consultants, Calgary, Alberta. The value of the net American assets of J. B. Ashmun, Inc. was determined with reference to an evaluation of the American oil and gas properties of J. B. Ashmun, Inc. prepared by LLC & C Engineering, Inc., petroleum consultants, Midland, Texas. Copies of both evaluations are available for inspection by shareholders of the Company at its Head Office, Suite 914, 111 Richmond Street West, Toronto 1, Ontario, and at its Executive Offices at 312 Fourth Avenue S.W., Calgary, Alberta.

The agreement above referred to, if implemented, will result in J. B. Ashmun, Inc. becoming a wholly owned subsidiary of the Company. The agreement, in addition to the normal representations and warranties, contains conditions to its implementation. Two of these conditions, namely, the acceptance for filing by The Toronto and Canadian Stock Exchanges of Filing Statements disclosing the terms of the agreement, have already been fulfilled. The agreement is further conditional upon its approval by the shareholders of the Company, for which purpose, amongst others, the Special General Meeting of Shareholders has been called, and finally upon a ruling that no adverse American tax consequence will result to either Mr. Ashmun or to J. B. Ashmun, Inc. because of the transaction. This ruling has been applied for but as at this date has not as yet been received.

The agreement was approved by the Directors of the Company at a meeting held on August 19th, 1968. Mr. Ashmun declared his interest in the agreement at the meeting and refrained from voting on the matter. The vote of the directors (excluding Mr. Ashmun) in approval of the agreement was unanimous.

The agreement, if implemented, will result in the issue to Mr. Ashmun of 410,000 fully paid and non-assessable shares in the capital stock of the Company and will increase his beneficial shareholdings from 62,633 shares to 472,633 shares.

UNLESS OTHERWISE INSTRUCTED, PROXIES WHICH ARE RECEIVED PURSUANT TO THIS SOLICITATION WILL BE VOTED IN FAVOUR OF THE APPROVAL OF THIS AGREEMENT.

### OTHER MATTERS

It is the intention of the Management of the Company to bring before the meeting for confirmation By-Law No. 21 being a by-law authorizing the making of loans to certain employees of the Company. A copy of By-Law No. 21 accompanies this Information Circular.

IF NO CHOICE IS INDICATED ON A PROXY IN THE ACCOMPANYING FORM, IT WILL BE VOTED IN FAVOUR OF THE CONFIRMATION OF THE SAID BY-LAW.

### INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

On May 6, 1968 the Company agreed to sell to Mr. Robert F. Smith, 15,000 shares of the Company at a price of \$1.35 per share, for a total consideration of \$20,250.00. In accordance with the terms of the agreement, the shares, when issued, will be delivered to a Trustee and will be delivered up by the Trustee to Mr. Smith against payment by Mr. Smith of the non-interest bearing promissory note in favour of the Company in the amount of \$20,250.00. The 15,000 shares are to be acquired over a period of five years and not more than 20% of the shares are to be paid for and delivered up in each of the five years.

On the 7th day of June, 1968 the Company offered to Mr. Roger H. Giovanetto, 411 Woodland Crescent, Calgary, Alberta, the Vice-President and a Director of Travchem Limited, an option to acquire 10,000 shares in the capital stock of the Company at a price of \$1.45 per share, being the bid price on The Toronto Stock Exchange on June 7, 1968. The 10,000 shares may be acquired over a period of five years, and not more than 20% of the said shares may be acquired in each of the years during the option agreement, the option terminating on June 7, 1973. Mr. Giovanetto owns 20% of the shares of Travchem Limited, which company is a subsidiary of Wainoco, and if Mr. Giovanetto accepts the above option, it is a term of the option that he will transfer his holdings in Travchem to Wainoco.

### OTHER MATTERS COMING BEFORE THE MEETING

It is not the intention of the Management of the Company to bring any other matters before the meeting other than the matters referred to in the Notice of Special General Meeting of Shareholders. It should be noted, however, that THE ENCLOSED FORM OF PROXY IS A DISCRETIONARY PROXY AND THE PERSONS NAMED THEREIN ARE AUTHORIZED TO VOTE IN ACCORDANCE WITH THEIR JUDGEMENT ON ANY OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING.

By Order of the Board of Directors.

"RONALD L. HANCOCK"  
Secretary-Treasurer.

September 24, 1968.



BETWEEN:

JOHN B. ASHMUN, of the City of Calgary in the Province of Alberta, Executive  
(hereinafter called the "Vendor"),

OF THE FIRST PART,

—and—

WAINOCO OIL AND CHEMICALS LIMITED, a company incorporated under the laws of the Province of Ontario, Canada  
(hereinafter called the "Purchaser"),

OF THE SECOND PART,

WHEREAS the Vendor is the registered and beneficial owner of all of the issued and outstanding shares in the capital stock of J. B. Ashmun, Inc. (hereinafter called "Ashmun"), a company incorporated under the laws of the State of Texas, United States of America; and

WHEREAS the Vendor desires to sell, and the Purchaser desires to purchase, all of the said shares of Ashmun on the terms and conditions hereinafter set out:

NOW THEREFORE THIS AGREEMENT WITNESSETH that, in consideration of the covenants, agreements, warranties and payments herein set forth and provided for, the parties hereto respectively covenant and agree as follows:

1. Subject to the terms and conditions hereof, the Vendor shall sell, assign and transfer, or cause to be sold, assigned and transferred, to the Purchaser, and the Purchaser shall purchase from the Vendor, at the time of closing as hereinafter provided, 1,000 shares of the par value of \$1.00 each in the capital stock of Ashmun, being all of the issued and outstanding shares in the capital stock of Ashmun in consideration for 410,000 common voting shares in the capital stock of the Purchaser.

2. The Vendor represents and warrants that:

- (a) Ashmun has been validly and legally incorporated under the laws of the State of Texas, United States of America and it is and will at the time of closing be a valid and subsisting corporation in good standing under the laws of Texas and duly qualified to hold property and carry on business in the State of Texas and in the Provinces of Alberta, Saskatchewan and British Columbia.
- (b) the authorized and issued capital stock of Ashmun are now, and at the time of closing will be, as follows:

Authorized  
1,000 shares of the par of \$1.00 each

Issued  
1,000 shares

- (c) all the said 1,000 common shares are now, and at the time of closing will be, outstanding as fully paid and non assessable shares;
- (d) all the said 1,000 common shares are now, and will be at the time of closing, but immediately prior to giving effect to the transfer of the shares to the Purchaser or its nominees as contemplated herein, owned by the Vendor as registered and beneficial owner thereof free of all liens, charges and encumbrances whatsoever;
- (e) except for the rights granted the Purchaser hereunder, no person, firm or corporation now has, or at the time of closing will have, any agreement or option or right capable of becoming an agreement or option for the purchase from the Vendor of any of the said 1,000 shares of Ashmun outstanding at the date hereof;
- (f) no person, firm or corporation now has or at the time of closing will have any agreement or option or any right capable of becoming an agreement or option for the purchase, subscription or issuance of any unissued shares of Ashmun, or any obligation convertible into the shares of Ashmun;
- (g) the Balance Sheet of Ashmun as of July 31, 1968, true copies of which have been delivered to the Purchaser by the Vendor, has been prepared without audit in conformity with generally accepted accounting principles applied on a consistent basis; the Balance Sheet presents fairly the assets and liabilities of Ashmun and its financial position as of that date; and in particular without limiting the generality of the foregoing such financial statements, including the notes thereof, presents fairly all the liabilities (contingent or otherwise) of Ashmun as of that date;
- (h) the assets owned by Ashmun and reflected in the said balance sheet as of July 31, 1968 include all of the properties and other interests of Ashmun described in Schedule "A" annexed hereto and made a part hereof (which schedule includes all of the properties and interests of Ashmun reported on by J. C. Sproule and Associates Ltd. in its report dated July 19, 1968 evaluating the Canadian petroleum and natural gas holdings of Ashmun as at July 1, 1968 or reported on by Leibrock, Landreth, Campbell & Callaway in their report dated August 16, 1968 evaluating the United States petroleum and natural gas holdings of Ashmun as at January 1, 1969 (true copies of which reports have been delivered to the Purchaser by the Vendor) and all materials and equipment used in connection with the producing, treating and processing of petroleum substances from or allocated to such properties and interests; Ashmun owning an interest in the material and equipment so used in connection with each such property or interest equal to its working interest in the property or interest concerned;
- (i) all the property and other interests of Ashmun described in Schedule "A" hereto and all other assets of Ashmun reflected in the said balance sheet as of July 31, 1968 were owned by Ashmun as at the date of the said balance sheet by good and marketable title (except that a certain of the properties and interests were held in trust for Ashmun by others, and subject as regards to marketability of properties to obtaining the consent of other parties where such consent is required under agreements relating to such properties) free and clear of all liens, encumbrances and claims of others (contingent or otherwise) not reflected in the said balance sheet except for:
  - (i) those commitments entered into by Ashmun pursuant to agreements relating to the operation of the said properties, details of which have been delivered to the Purchaser by the Vendor;
  - and
  - (ii) liens created in the ordinary course of business on the said properties, in favour of the person who is conducting the development or operation of the said properties, for Ashmun's share of the costs and expenses of such development and operation, none of which liens are exercisable at the date hereof.



All such property, interests and other assets and all other property, interests and assets acquired by Ashmun at or prior to the time of closing (except for assets surrendered, sold or otherwise disposed of with the consent of the Purchaser) will be owned by Ashmun at the time of closing by good and marketable title (except as stated above and except that certain additional properties and interests acquired by Ashmun subsequent to the date of the said Balance Sheet and prior to the date of closing may be held in trust for Ashmun by others) free and clear of all liens, encumbrances and claims of others except those reflected in the said balance sheet or referred to above and except for claims arising since July 31, 1968 in carrying on the business of Ashmun in accordance with paragraph 2 (m) hereof;

- (j) none of the property or other interests of Ashmun described in Schedule "A" hereof are now, or at the time of closing will be, subject to any royalties, overriding royalties, production payments or other rights or interests in production (contingent or otherwise) except as set out in the said schedule or referred to in paragraph 2 (i) hereof and except for those lessor's royalties which are not set out in the said schedule, and Ashmun is now, and at the time of closing will be, entitled to that share of the production from each of the properties set out in the said schedule equal to its interest therein as set out in the said schedule;
- (k) since July 31, 1968 no substantial damage has occurred to the assets of Ashmun and there has been no material adverse change having regard to the nature of its operations in the financial condition, business or operations of Ashmun, it being understood that this sub-paragraph does not relate to the results of exploration activities;
- (l) the financial condition of Ashmun is now, and at the time of closing will be, not materially less favourable than that shown on the Balance Sheet referred to in paragraph 2 (g) hereof;
- (m) the business of Ashmun has been carried on in the ordinary course since July 31, 1968 and will be so carried on to the time of closing; and in particular and without limiting the generality of the foregoing (i) none of the assets of Ashmun have since July 31, 1968 been, and none of such assets will up to the time of closing be, sold, surrendered and otherwise disposed of, or agreed to be sold, surrendered or otherwise disposed of, except with the prior consent of the Purchaser, (ii) no obligations have been incurred or commitments made by Ashmun since July 31, 1968, and no obligations or commitments will be incurred or made by it prior to the time of closing, except with the prior consent of the Purchaser or as the Vendor has notified the Purchaser prior to the execution of this agreement or as contemplated in this agreement, (iii) no payments have been made by Ashmun since July 31, 1968, and no payments will be made by it prior to the time of closing, except payments necessary for the exploring, drilling, developing or operating of its properties; and (iv) no indebtedness of Ashmun to its bankers or to the Vendor existing as at July 31, 1968 will be increased or reduced prior to the time of closing except for reductions of Ashmun's indebtedness with its bankers made in accordance with the repayment schedule heretofore agreed upon with such bankers, and except for increases or reductions in debt made with the prior consent of the Purchaser;
- (n) no dividends or other distributions on any shares of Ashmun have been declared, paid or authorized and no dividends or other distributions on any shares of Ashmun will be declared, paid or authorized prior to the time of closing;
- (o) no payments by way of bonus or salary have been made after July 31, 1968, and no such payments will be made after the date hereof and up to the time of closing, by Ashmun to any officers or directors of Ashmun and no payments by way of bonus or salary have been authorized by Ashmun to any officers or directors of Ashmun;
- (p) there are no actions, suits or proceedings pending, or to the knowledge of Ashmun or the Vendor, threatened against or affecting Ashmun at law or in equity or by or before any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign;
- (q) Ashmun is not now and will not at the time of closing be a party to any employment or service agreement except for an agreement with William A. Faubion granting him the right to overriding royalty interest in certain properties of the company, which overriding royalty interests are reflected in Schedule "A" hereto;
- (r) the Vendor, does not now have and at the time of closing will not have, any claim against or interest in the assets of Ashmun except as disclosed in the Balance Sheet referred to in paragraph 2 (g) hereof or as disclosed in writing by the Vendor to the Purchaser prior to the date hereof;
- (s) Ashmun is not now, and at the time of closing will not be, a party to or bound by any contract or commitment which in the opinion of the Vendor will materially adversely affect the assets or earnings of Ashmun; and Ashmun is now, and at the time of closing will be, in good standing under all contracts or agreements to which it is a party and entitled to all benefits thereunder.

3. The completion of the transactions herein provided for are subject to the following terms and conditions to be fulfilled and/or performed at or prior to the date of closing:

- (a) that the Vendor shall cause Ashmun, its auditors, consultants and solicitors and all persons owning property jointly with Ashmun or having data pertaining to Ashmun and its assets, to make available to the Purchaser's engineers, accountants, auditors, solicitors and other representatives all such records, books, accounts, contracts, appraisals, working papers, and other documents and data pertaining to Ashmun and its assets as such representatives may request in order to permit them to investigate and report to the Purchaser with respect to the records, business and assets of Ashmun, and of all transactions of Ashmun subsequent to July 31, 1968 and up to and including the date of closing;
- (b) that the title of Ashmun to its assets and undertaking, the legality of the incorporation and organization of Ashmun, the due creation and issuance as fully paid of all of the said outstanding 1,000 shares in the capital stock of Ashmun and all corporate proceedings of Ashmun, its shareholders and directors and all other matters which in the opinion of the solicitors for the Purchaser are material in connection with the transaction herein contemplated shall be subject to the favourable opinion of such solicitors;
- (c) that the Purchaser shall receive at the date of closing evidence reasonably satisfactory to the Purchaser to the following effect:
  - (i) that the representations and warranties contained in paragraph 2 hereof to the extent they relate to the position at or prior to the date hereof are correct, to the extent they relate to the position at the date of closing are then correct and to the extent they relate to the period between the date hereof and the date of closing have been complied with;
  - (ii) that between the date hereof and the date of closing no substantial damage has occurred to the assets of Ashmun and there has been no material adverse change having regard to the nature of its operations in the financial condition, business or operations of Ashmun, it being understood that this sub-paragraph does not relate to the results of exploration activities;
  - (iii) that there are then no actions, suits or proceedings pending or threatened against or affecting Ashmun at law or in equity or by or before a federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign;
  - (iv) that Ashmun is then in good standing under all contracts or agreements to which it is a party and is entitled to all benefits thereunder;
- (d) that the Vendor has received a ruling or rulings satisfactory to him from the Internal Revenue Service of the United States of America to the effect that no United States taxes will be imposed upon the Vendor or Ashmun as a result of any transaction contemplated by this agreement;



- (e) that notice of the transactions contemplated by this agreement has been given to the Toronto Stock Exchange and the Canadian Stock Exchange and such exchanges have accepted such notices for filing;
- (f) that the shareholders of the Purchaser have agreed to the Purchaser entering into this agreement and have agreed to the Purchaser completing the transactions to be completed by it hereunder;
- (g) that at the time of closing all the directors of Ashmun and all the officers of Ashmun shall resign in favour of nominees of the Purchaser so that on closing the board of directors of Ashmun shall consist solely of nominees of the Purchaser and all the officers of Ashmun shall be nominees of the Purchaser;
- (h) that at the time of closing the Vendor and each officer, director and employee of Ashmun whom the Purchaser may specify shall execute a complete release in such form as the solicitors for the Purchaser may approve of all claims against Ashmun or its assets as an officer, director, shareholder or employee except for claims disclosed in the said Balance Sheet as at July 31, 1968;
- (i) that the Vendor shall cause to be delivered to, or to the order of, the Purchaser all assets of Ashmun in the possession or under the control of the Vendor, or of its consultants, which have not theretofore been delivered to, or to the order of, the Purchaser.

4. In case any of the foregoing conditions shall not be fulfilled at or before the date of closing the Purchaser may rescind this agreement by notice to the Vendor and in such event the Vendor and the Purchaser shall each be released from all rights, duties and obligations hereunder and this agreement shall thereupon terminate to the same force and effect as if it had never been entered into; provided that any of the said conditions may be waived in whole or in part by the Purchaser without prejudice to its rights of rescission in the event of the non fulfillment of any of the other conditions or any part thereof not so waived.

5. Notwithstanding anything herein contained and notwithstanding the evidence which may be received by the Purchaser pursuant to the provisions of paragraph 3 hereof, the representations and warranties contained in paragraph 2 hereof shall survive the closing of the transactions herein provided for and, notwithstanding such closing, shall continue in full force and effect; provided however that the liability of the Vendor hereunder shall be limited to the market value, at the time the Vendor is called upon to make any payment to the Vendor hereunder, of the shares of the Purchaser which the Vendor receives hereunder, and provided further that the liability of the Vendor with respect to such representations and warranties shall terminate on that date which is six months after the date of closing except for claims, suits or demands which have been advanced hereunder prior to such date and have not then been disposed of.

- 6. (a) subject to the foregoing the closing of the transactions provided for in this agreement shall take place at the offices of the Purchaser in Calgary, Alberta, on October 15, 1968 or on such earlier or later date and at such other place as may be agreed upon by the parties hereto. The actual date of closing and the time of closing on such date are herein referred to as the "date of closing".
- (b) at the date of closing the Vendor shall deliver or cause to be delivered to the Purchaser certificates representing all of the issued and outstanding shares in the common stock of Ashmun duly endorsed in blank for transfer (with signatures guaranteed to the satisfaction of the Purchaser) and the Vendor will cause transfers of such shares to be duly and regularly recorded in the name of the Purchaser or its nominees at the date of closing. Concurrently, with the foregoing the Purchaser shall deliver or cause to be delivered to the Vendor or as the Vendor may direct certificates for 410,000 common voting shares in the capital stock of the Purchaser, all of which shares shall be validly issued, fully paid and non-assessable and shall be accepted for trading on the Toronto and Canadian Stock Exchanges.

7. Any notice, direction or other instrument required or permitted to be given to the Vendor hereunder shall be in writing and may be given by mailing the same postage prepaid or delivering the same addressed to the Vendor at 800 Elveden House, Calgary, Alberta. Any notice, direction, or other instrument required or permitted to be given to the Purchaser hereunder shall be in writing and may be given by mailing the same postage prepaid or delivering the same addressed to the Purchaser at 312 - 4th Avenue S.W., Calgary, Alberta.

Any notice, direction or other instrument aforesaid if delivered shall be deemed to have been given or made on the day on which it was delivered or if mailed shall be deemed to have been given or made on the next business day following the day on which it was mailed.

8. This agreement has been executed and delivered and the transaction provided for herein is to be consummated in the Province of Alberta and the validity and interpretation of this agreement shall be governed by and construed in accordance with the laws of that province.

9. The Vendor and the Purchaser shall each pay their own costs and expenses which are incurred in connection with the transactions contemplated herein, it being expressly understood and agreed that the Purchaser shall not pay, or be responsible for the payment of, any of the cost or expenses incurred by the Vendor hereunder.

10. This agreement shall enure to the benefit of and be binding upon the respective parties hereto and their respective successors and assigns.

11. Time shall be of the essence of this agreement.

IN WITNESS WHEREOF this agreement has been executed by the parties hereto as of the day and year first above written.

JOHN B. ASHMUN

WAINOCO OIL AND CHEMICALS LTD.

Per WALES H. MADDEN, Jr.

Per HENRY D. LINDSLEY, III



**J. B. ASHMUN, INC.**  
**CONSOLIDATED FINANCIAL AND OPERATING SUMMARY**

JULY 31, 1968

(unaudited, stated in Canadian funds)

Working Capital .....	\$ 33,644
Appraised Value of Canadian properties .....	801,105
Appraised Value of U.S. properties .....	431,257
Total Net Assets .....	<u>\$1,266,006</u>
Long Term Debt .....	<u>99,124</u>
Shareholder Equity .....	<u>\$1,166,882</u>

**BY-LAW NUMBER 21**

A by-law relating to the lending of money to Shareholders and Others by WAINOCO OIL AND CHEMICALS LIMITED, (hereinafter called the "Company").

BE IT ENACTED AND IT IS HEREBY ENACTED as a by-law of the Company as follows:

The Company may from time to time:

(a) make loans to bona fide full-time employees of the Company whether or not they are shareholders or directors, with a view to enabling them to purchase or erect dwelling houses for their own occupation, and may take from such employees mortgages or other securities for the repayment of such loans; or

(b) provide, in accordance with a scheme for the time being in force, money by way of loan for the purchase by trustees of fully-paid shares of the Company, to be held by or for the benefit of bona fide employees of the Company, whether or not they are shareholders or directors; or

(c) make loans to bona fide employees of the Company, other than directors, whether or not they are shareholders, with a view to enabling them to purchase fully-paid shares of the Company to be held by them by way of beneficial ownership.

ENACTED this 10th day of September, 1968.

WITNESS the corporate seal of the company.

"J. B. ASHMUN"  
President.

"R. L. HANCOCK"  
Secretary-Treasurer.



The Globe & Mail  
F.P. Publications Ltd.  
King & York Streets  
Toronto, Ontario

J. E. ASHMAN, INC.

CONSOLIDATED FINANCIAL AND OPERATING STATEMENT

July 31, 1962

(continued, page 1 of 2)

Operating Income	8,250.00
Adjusted Value of Canadian Properties	100.00
Adjusted Value of U.S. Properties	100.00
Total Income	8,450.00
Operating Expenses	2,100.00
Adjusted Value of Canadian Properties	100.00
Adjusted Value of U.S. Properties	100.00
Total Expenses	2,300.00
Net Income	6,150.00

BY LAW NUMBER 31

A return of income for the year ended on September 30, 1962, in accordance with the provisions of the Income Tax Act, is hereby submitted to the Minister of National Revenue.

WE IT CERTIFY AND IT IS HEREBY DECLARED as a by-law of the Company as follows:

- (a) The Company has been duly organized and is a resident of Canada for the purposes of the Income Tax Act.
- (b) The Company has been duly organized and is a resident of Canada for the purposes of the Income Tax Act.
- (c) The Company has been duly organized and is a resident of Canada for the purposes of the Income Tax Act.
- (d) The Company has been duly organized and is a resident of Canada for the purposes of the Income Tax Act.
- (e) The Company has been duly organized and is a resident of Canada for the purposes of the Income Tax Act.
- (f) The Company has been duly organized and is a resident of Canada for the purposes of the Income Tax Act.
- (g) The Company has been duly organized and is a resident of Canada for the purposes of the Income Tax Act.
- (h) The Company has been duly organized and is a resident of Canada for the purposes of the Income Tax Act.
- (i) The Company has been duly organized and is a resident of Canada for the purposes of the Income Tax Act.
- (j) The Company has been duly organized and is a resident of Canada for the purposes of the Income Tax Act.

DATED this 10th day of September, 1962

WITNESS the corporate seal of the company

J. E. Ashman

J. E. Ashman

President

President



AR41



**ANNUAL REPORT**  
**1968**

**WAINOCO OIL AND CHEMICALS LIMITED**







# WAINOCO OIL AND CHEMICALS LIMITED

## DIRECTORS

JOHN B. ASHMUN .....	<i>Calgary</i>
ROBERT F. SMITH .....	<i>Calgary</i>
T. B. PICKENS, JR. ....	<i>Amarillo, Texas</i>
HENRY D. LINDSLEY III .....	<i>Dallas, Texas</i>
WALES H. MADDEN, JR. ....	<i>Amarillo, Texas</i>

## OFFICERS

JOHN B. ASHMUN .....	<i>President</i>
ROBERT F. SMITH .....	<i>Vice-President</i>
RONALD L. HANCOCK .....	<i>Secretary-Treasurer</i>

## AUDITORS

CLARKSON, GORDON & Co.

## BANKERS

BANK OF MONTREAL

## COUNSEL

EDISON, AIRD & BERLIS, TORONTO, CANADA

## OFFICES

Registered Office .....	111 Richmond Street West, Toronto 1, Canada
General Office .....	312 Fourth Avenue S.W., Calgary 1, Canada

## REGISTRAR AND TRANSFER AGENT

MONTREAL TRUST COMPANY, TORONTO, CANADA

## STOCK EXCHANGES

The company's shares are listed on

TORONTO STOCK EXCHANGE, TORONTO, CANADA

CANADIAN STOCK EXCHANGE, MONTREAL, CANADA

# WAINOCO OIL AND CHEMICALS LIMITED

## REPORT TO THE SHAREHOLDERS:

Your directors are pleased to report that considerable progress was recorded in your Company's growth and operations during 1968, the first full year under present management. Three significant acquisitions contributed to the enlargement of its potential in both petroleum and chemical fields: J. B. Ashmun, Inc., an independent oil and gas firm with interests in Canada and the United States; Molsberry Chemical Spray Company, a vegetation control firm operating from Edmonton; and the balance of the outstanding shares of Travchem Limited, a chemical subsidiary serving the oil and gas producing industry. Ownership of oil, gas and mineral properties was substantially increased and improvement was registered in the annual statement of sales and profits.

## FINANCIAL

Gross profit and other income in 1968 was \$583,493, greater by 26% than that of the previous year. Net income for 1968 increased to \$176,218, and sales for the period reached \$3,245,709 including four months' results of the Molsberry Chemical Spray Company acquired in September 1968.

A change in accounting practice was instituted in January 1968. If this practice had been in effect during 1967, net income for that year would have been \$146,879 instead of \$106,233 as reported. On this basis, net income in 1968 increased by \$29,339, or 20% over that of 1967. Earnings per share for 1968 amount to 10.4¢ compared with 8.9¢ per share for the 1967 year. The earnings per share calculations have been determined on the basis that the 410,000 shares issued in connection with the acquisition of J. B. Ashmun, Inc. during 1968, were outstanding during the whole of the two years because that transaction was accounted for as a pooling of interests.

On December 16, 1968, your directors approved a plan for the private placement of 450,000 treasury shares for a gross consideration to the Company of \$1,080,000. Shareholders will be asked for their approval of this plan at the Annual Meeting on March 31, 1969. If approval is granted, the funds received will be applied toward the reduction of bank indebtedness and the enlargement of the Company's oil, gas and mineral operations.

## EXPLORATION AND DEVELOPMENT

### OIL AND GAS

Following the acquisition of J. B. Ashmun, Inc., which was effective August 1, 1968, the Company drilled four wells on properties of this subsidiary. Three of these resulted in dry holes and the fourth was completed as an oil producer offsetting a J. B. Ashmun, Inc. 1968 discovery in the Moberly area of northeastern British Columbia. An additional development well is currently being drilled on this property operated by the Company. Two more wells in which the Company has an interest are presently underway in British Columbia. Drilling activity is expected to increase considerably in 1969 in all areas of the Company's operations.

A total of 1,658,736 net acres of oil and gas leases, permits and reservations is now owned by the Company. Of these holdings, 1,512,087 acres are represented by offshore Federal permits in the areas of the Beaufort Sea, Hudson Bay and East Coast, while the balance is located in British Columbia, Alberta, Northwest Territories and Saskatchewan. Continued acquisition of properties is planned through drilling activity and cash purchases.



## MINING

Mineral exploration work conducted under a joint program in the Yukon Territory during the summer provided encouragement for the continuance of the Company's participation in this program during 1969. A study of samples taken from the Company's sulphur permit in northern Alberta revealed non-commercial traces of this mineral and the permit has been released.

The Company has acquired a 192,000 acre mining exploration permit in the Wollaston Lake area of northern Saskatchewan, and applications have been filed for Federal mining permits in the Northwest Territories. Exploration will be undertaken on these properties during the summer of 1969.

## CHEMICALS

The chemical division expanded through purchase of Molsberry Chemical Spray Company and the minority shares of Travchem Limited. Consideration for Molsberry was \$250,000 and 25,000 of the Company's treasury shares. This acquisition greatly augmented the position established by the Company three years ago in the vegetation control business. Molsberry is a major factor in this specialty chemical sales and service business in western Canada and its contribution to earnings will make it an important part of the chemical division.

Travchem Services, formerly Travchem Limited, now conducts its business as a division, operating a fully equipped chemical laboratory in Calgary, as well as blending and selling emulsion breakers, corrosion inhibitors and water treating chemicals to the petroleum industry.

Your directors feel that the accomplishments of 1968 have provided a sound base for the Company's future growth. The establishment of a well-trained mineral exploration staff and the expansion of its chemical division along with an improved financial structure justify this outlook.

Submitted on behalf of the Board.

JOHN B. ASHMUN  
President

March 3, 1969

## WAINOCO OIL AND

AND

CONSOLIDATED

DECEMBER

## ASSETS

	<u>1968</u>	<u>1967</u>
<b>CURRENT:</b>		
Cash .....	\$ 40,390	\$ 157
Accounts receivable .....	733,924	668,368
Inventory of chemicals at the lower of cost or net realizable value ....	261,324	244,774
Prepaid expenses and deposits .....	9,448	20,276
Total current assets .....	<u>1,045,086</u>	<u>933,575</u>
<b>INVESTMENTS:</b>		
Marketable securities — at cost which approximates market .....	73,823	
Limited partnerships — at cost .....	30,033	
	<u>103,856</u>	
<b>FIXED — AT COST:</b>		
Land .....	16,561	5,000
Building, equipment and fixtures .....	394,338	291,463
Well equipment .....	100,555	
	511,454	296,463
Less accumulated depreciation .....	<u>160,940</u>	<u>94,441</u>
	350,514	202,022
OIL AND GAS PROPERTIES .....	588,732	11,247
EXPLORATORY, GENERAL AND ADMINISTRATIVE EXPENSES DEFERRED .....	<u>189,686</u>	
<b>OTHER:</b>		
Goodwill — at cost .....	239,350	
Deferred note receivable, etc. ....	31,248	
	<u>270,598</u>	
	<u>\$2,548,472</u>	<u>\$1,146,844</u>

(See c



# CHEMICALS LIMITED

SIDIARY

## BALANCE SHEET

58 AND 1967

### LIABILITIES

	<u>1968</u>	<u>1967</u>
<b>CURRENT:</b>		
Bank indebtedness (secured) .....	\$ 534,387	\$ 27,748
Accounts payable .....	669,282	502,757
Due to shareholders .....	28,944	3,257
Income and other taxes payable .....		11,031
Current instalments of long term debt .....	56,734	54,931
Total current liabilities .....	<u>1,289,347</u>	<u>599,724</u>
 <b>LONG TERM DEBT:</b>		
4½% chattel mortgage due in monthly instalments of \$2,020 including interest to February 1971 .....	51,744	72,675
6% agreement payable in two annual instalments to February 1970 .....	66,000	100,000
	<u>117,744</u>	<u>172,675</u>
Less instalments due within one year included in current liabilities .....	56,734	54,931
	<u>61,010</u>	<u>117,744</u>
 <b>SHAREHOLDERS' EQUITY:</b>		
Share capital (Note 4) —		
Authorized:		
3,000,000 common shares of \$.25 par value		
Issued or to be issued:		
1,699,435 common shares (1967 — 1,249,435 shares) .....	424,859	1,249,435
Contributed surplus .....	597,038	1,723,060
Retained earnings .....	176,218	(2,543,119)
	<u>1,198,115</u>	<u>429,376</u>
 On behalf of the Board:		
JOHN B. ASHMUN, <i>Director</i> .		
ROBERT F. SMITH, <i>Director</i> .	\$2,548,472	\$1,146,844

# WAINOCO OIL AND CHEMICALS LIMITED

AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT)

YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
Balance of retained earnings (deficit) at beginning of year .....	\$(2,543,119)	\$(2,113,986)
Add transfer from contributed surplus (Note 5) .....	<u>2,543,119</u>	<u>(2,113,986)</u>
Deduct:		
Net cost of shares of subsidiary repurchased from employee .....		100,000
Excess of cost of shares of subsidiary over book value		
at acquisition .....		<u>435,366</u>
		(2,649,352)
Add net income for the year .....	<u>176,218</u>	<u>106,233</u>
Balance of retained earnings (deficit) at end of year .....	<u>\$ 176,218</u>	<u>\$(2,543,119)</u>

## CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS

YEARS ENDED DECEMBER 31, 1968 AND 1967

Balance of contributed surplus at beginning of year .....	\$ 1,723,060	\$ 1,723,060
Add transfer from share capital (Note 4) .....	<u>937,075</u>	<u></u>
	2,660,135	
Less transfer to retained earnings (Note 5) .....	<u>2,543,119</u>	<u></u>
	117,016	
Add premium on shares issued during the year (Note 4) .....	<u>480,022</u>	<u></u>
Balance of contributed surplus at end of year .....	<u>\$ 597,038</u>	<u>\$ 1,723,060</u>

## CONSOLIDATED STATEMENT OF INCOME

YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
Sales .....	\$3,245,709	\$2,971,878
Cost of goods sold .....	<u>2,707,362</u>	<u>2,544,727</u>
Gross profit .....	538,347	427,151
Other income .....	<u>45,146</u>	<u>36,985</u>
	583,493	464,136
Expenses:		
Selling .....	209,665	197,443
General and administrative .....	<u>195,686</u>	<u>134,831</u>
	405,351	332,274
Operating income before undernoted items .....	<u>178,142</u>	<u>131,862</u>
Loss on sale of petroleum properties and equipment .....	1,924	19,682
Dry hole costs .....		3,935
Minority interest in net income of subsidiary .....		<u>314</u>
	1,924	23,931
Income before income taxes .....	<u>176,218</u>	<u>107,931</u>
Income taxes (Note 3) .....		1,698
Net income for the year (Note 2) .....	<u>\$ 176,218</u>	<u>\$ 106,233</u>

(See accompanying notes)



# WAINOCO OIL AND CHEMICALS LIMITED

## AND ITS SUBSIDIARY

### CONSOLIDATED STATEMENT OF OIL AND GAS PROPERTIES

YEAR ENDED DECEMBER 31, 1968

	Wainoco Balance January 1, 1968	Acquired from J. B. Ashmun, Inc. January 1, 1968 (Note 1)	Additions (Note 2)	Disposals	Provision for depletion	Balance December 31, 1968
<b>Producing:</b>						
Leasehold costs .....		\$ 40,729	\$ 71,057			\$11,786
Intangible development costs .....		68,928	24,645			93,573
Less accumulated depletion .....		\$109,657	\$ 95,702		(9,640)	\$205,359
		(17,159)				(26,799)
		92,498	95,702		(9,640)	178,560
<b>Non-producing:</b>						
Leasehold costs .....	\$11,247	60,716	260,556	\$11,247		321,272
Geological and geophysical costs .....		25,577	56,671			82,248
Lease rentals .....		1,623	5,029			6,652
	11,247	87,916	322,256	11,247		410,172
	\$11,247	\$180,414	\$417,958	\$11,247	\$(9,640)	\$588,732

(See accompanying notes)

# WAINOCO OIL AND CHEMICALS LIMITED

## AND ITS SUBSIDIARY

### CONSOLIDATED STATEMENT OF EXPLORATORY, GENERAL AND ADMINISTRATIVE EXPENSES DEFERRED

YEAR ENDED DECEMBER 31, 1968

	Acquired from J. B. Ashmun, Inc. January 1, 1968 (Note 1)	Additions (Note 2)	Balance December 31, 1968
Expenses:			
Automobile .....	\$ 1,229	\$ 3,824	\$ 5,053
Rentals .....	4,046	7,436	11,482
Interest and exchange .....	5,981	8,676	14,657
Miscellaneous .....	1,001	3,254	4,255
Professional fees .....	2,528	23,085	25,613
Salaries .....	4,560	11,569	16,129
Lease operating costs .....	33,993	39,568	73,561
Depreciation .....	16,991	12,283	29,274
Depletion .....	17,159	9,640	26,799
Insurance .....	991	3,021	4,012
Entertainment .....	1,158	1,800	2,958
Dry hole costs .....	122,301	108,048	230,349
Moving .....	1,274		1,274
Travel .....	3,951	5,594	9,545
Taxes .....	440	1,230	1,670
Office .....	1,205	3,621	4,826
Telephone .....	1,494	2,665	4,159
	<u>220,302</u>	<u>245,314</u>	<u>465,616</u>
Less income received:			
Oil and gas sales .....	105,114	59,907	165,021
Net income from turnkey contracts .....	24,049	11,641	35,690
Net gain (loss) on sale of property .....	11,818	(9,628)	2,190
Income from limited partnerships .....	9,779	36,312	46,091
Other .....	10,742	16,196	26,938
	<u>161,502</u>	<u>114,428</u>	<u>275,930</u>
	<u>\$ 58,800</u>	<u>\$130,886</u>	<u>\$189,686</u>

(See accompanying notes)



# WAINOCO OIL AND CHEMICALS LIMITED

## AND ITS SUBSIDIARY

### CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEARS ENDED DECEMBER 31, 1968 AND 1967

	<u>1968</u>	<u>1967</u>
Source of funds:		
Operations —		
Net income for the year .....	\$ 176,218	\$106,233
Add depreciation which did not involve an outlay of funds .....	<u>42,083</u>	<u>36,729</u>
	218,301	142,962
Disposal of fixed assets and oil and gas properties .....	14,811	307,490
Issue of share capital .....	592,522	
Reduction of note receivable .....		<u>43,732</u>
	<u>825,634</u>	<u>494,184</u>
Application of funds:		
Additions to oil and gas properties .....	598,372	
Additions to other assets .....	270,598	
Purchase of fixed assets .....	216,051	61,640
Exploratory, general and administrative expenses less items not requiring an outlay of funds .....	158,135	
Purchase of investments .....	103,856	
Reduction of long term debt .....	<u>56,734</u>	<u>54,931</u>
	<u>1,403,746</u>	<u>116,571</u>
Increase (decrease) in working capital .....	(578,112)	377,613
Working capital (deficiency) at beginning of year .....	<u>333,851</u>	<u>(43,762)</u>
Working capital (deficiency) at end of year .....	<u><u>\$ (244,261)</u></u>	<u><u>\$333,851</u></u>

(See accompanying notes)

# WAINOCO OIL AND CHEMICALS LIMITED

## AND ITS SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1968

#### 1. BASIS OF CONSOLIDATION AND DETAILS OF ACQUISITIONS

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, J. B. Ashmun, Inc., a United States company with petroleum and natural gas interests in both Canada and the United States.

The shares of J. B. Ashmun, Inc. were acquired effective August 1, 1968 in exchange for 410,000 shares of the Company's capital stock to be issued to J. B. Ashmun, President of Wainoco, on receipt of a ruling from the Internal Revenue Service that the sale of the shares would be considered a tax-free exchange in the United States. A favourable ruling was received in February, 1969 and the shares subsequently issued. For accounting purposes the transaction has been treated as a pooling of interests and accordingly the consideration for the shares issued is represented by the book value of the net assets acquired, \$506,022. See Note 2 for reference to the accounting policies followed by the Company and J. B. Ashmun, Inc.

During 1968 the Company purchased the remaining 40% of the shares of Travchem Limited, previously a 60%-owned subsidiary, for \$2,500 cash. Effective October 1, 1968 the Company acquired all of the assets and assumed the liabilities and undertakings of Travchem.

On September 1, 1968 the Company acquired substantially all of the assets and assumed the liabilities and undertakings of Molsberry Chemical Spray Co. Ltd. for a consideration of \$316,250 represented by the payment of \$250,000 cash and 25,000 shares of the Company's capital stock.

#### 2. CHANGE IN ACCOUNTING PRACTICE

The Company's management and control changed in January, 1968 at which time its petroleum and natural gas holdings were nominal. In conjunction with a more vigorous exploration and development policy, the Company decided, effective January 1, 1968, to follow a policy of capitalizing all its expenses in connection with its oil and gas operations net of any income received, pending more substantial development of its properties. A similar policy was followed by J. B. Ashmun, Inc. from its inception on May 23, 1966. Details of producing and non-producing oil and gas properties and consolidated exploratory, general and administrative expenses deferred are reflected in the accompanying statements. If the Company had followed its present policy during 1967 net income for that year would have been increased by approximately \$40,600.

#### 3. INCOME TAXES

For Canadian income tax purposes the companies are entitled to claim drilling, exploration and lease acquisition costs and capital cost allowances (depreciation) in amounts which may exceed the related depletion and depreciation provisions reflected in their accounts. For 1968 the companies do not intend to claim capital cost allowances in excess of recorded depreciation, but will claim other deductions in an amount sufficient to eliminate taxable income. After such claims expenditures remain to be carried forward and applied against future taxable income as follows:

Drilling, exploration and lease acquisition costs	\$588,000
Undepreciated capital cost	\$854,000

Management does not believe that it is appropriate to provide for income taxes deferred as a result of claims for drilling, exploration and lease acquisition costs. While the view of management conforms with general practice in the oil and gas industry and is accepted by accounting authorities outside Canada, it differs from the tax allocation basis of accounting recommended by the Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants, effective for fiscal years commencing on or after January 1, 1968 under which the income tax provision is based on the income reported in the accounts.

If the tax allocation basis had been followed for all timing differences between taxable income and reported income, deferred income taxes of \$78,000 (\$40,000 in 1967) would have been provided and net income for the year reduced accordingly. However, on a cumulative basis to December 31, 1968, the amounts charged in the accounts have exceeded the related claims for income tax purposes by \$330,000.



#### 4. CAPITAL

The Company's authorized share capital was reduced from \$3,000,000 to \$750,000 by Supplementary Letters Patent dated October 11, 1968 reducing the par value of the issued and unissued shares from \$1 to \$.25 per share. The reduction in par value of the then issued 1,249,435 shares resulted in a transfer from share capital account to contributed surplus of \$937,075.

The following shares were issued during the year or are to be issued for consideration received during the year:

	<u>Number of shares</u>	<u>Consideration</u>
In acquisition of assets and liabilities of Molsberry Chemical Spray Co. Ltd. (see Note 1) .....	25,000	\$ 66,250
Issued to an officer in consideration for a non-interest bearing promissory note .....	15,000	20,250
Issued in February, 1969 in acquisition of shares of J. B. Ashmun, Inc. (see Note 1) .....	410,000	506,022
	<u>450,000</u>	<u>\$592,522</u>

Of the total consideration \$112,500 was credited to share capital account and the balance to contributed surplus.

At December 31, 1968 options were outstanding to officers to purchase 20,000 shares and to employees to purchase 10,000 shares at prices ranging from \$1.25 to \$3.06 per share, exercisable on various dates to January 2, 1974. In addition, 32,000 shares were reserved for the granting of future options to officers and employees.

Prior to December 31, 1968 the directors of the Company approved a plan for private placement of 450,000 treasury shares at \$2.40 per share. The plan is subject to approval by the shareholders at the meeting of March 31, 1969.

#### 5. RETAINED EARNINGS AND CONTRIBUTED SURPLUS

During the year the shareholders of the Company approved the appropriation of \$2,543,119 from contributed surplus to retained earnings, which amount eliminated the accumulated deficit to December 31, 1967.

#### 6. STATUTORY INFORMATION

The total remuneration paid to the directors and senior officers of the Company during 1968 amounted to \$94,470.

## AUDITORS' REPORT

To the Shareholders of  
Wainoco Oil and Chemicals Limited

We have examined the consolidated balance sheet of Wainoco Oil and Chemicals Limited as at December 31, 1968 and the consolidated statements of income, retained earnings, contributed surplus, oil and gas properties, exploratory, general and administrative expenses deferred and source and application of funds for the year then ended. Our examination of Wainoco Oil and Chemicals Limited included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, except that, since this was our initial examination, we were unable to satisfy ourselves as to the opening inventory of \$244,774. We have relied on the report of the auditors who have examined the financial statements of the subsidiary.

In our opinion, except for such adjustment to net income, if any, as might have resulted without the limitation of our examination with respect to the opening inventory as explained in the preceding paragraph, these financial statements present fairly the financial position of the Company and its subsidiary as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in accounting practice explained in Note 2, which change we approve.

CLARKSON, GORDON & CO.  
Chartered Accountants

Calgary, Alberta  
February 24, 1969





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